

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Riverside Township	County Missaukee
Audit Date 3/31/06	Opinion Date 6/22/06	Date Accountant Report Submitted to State: 8/4/2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 West Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 8/4/06

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY

MCBAIN, MICHIGAN

MARCH 31, 2006

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MARCH 31, 2006

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 22, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Riverside Township
Missaukee County
McBain, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Township, Missaukee County, McBain, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Riverside Township, Missaukee County, McBain, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Riverside Township, Missaukee County, McBain, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Riverside Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Riverside Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$244,481. Of this amount, \$125,639 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$179,920. An increase of \$105,015 from the prior year.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Riverside Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$244,481 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Riverside Township
Net Assets as of March 31, 2006

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 179,920
Non Current Assets	
Capital Assets	66,287
Less: Accumulated Depreciation	<u>1,726</u>
Total Non Current Assets	<u>64,561</u>
Total Assets	<u><u>\$ 244,481</u></u>
Liabilities	
Current Liabilities	<u>\$ 0</u>
Net Assets	
Invested in Capital Assets	64,561
Restricted for Specific Purposes	54,281
Unrestricted	<u>125,639</u>
Total Net Assets	<u>244,481</u>
Total Liabilities and Net Assets	<u><u>\$ 244,481</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$125,639 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 2,993
Operating Grants and Contributions	3,306
Capital Grants and Contributions	5,000
General Revenues	
Taxes	93,966
State Grants	75,344
Interest Earnings	858
Other	<u>1,277</u>
Total Revenues	<u>182,744</u>
<u>Expenses</u>	
Legislative	1,827
General Government, Administrative	48,327
Public Safety	12,035
Public Works	5,907
Other Functions	<u>6,359</u>
Total Expenses	<u>74,455</u>
Change in Net Assets	108,289
NET ASSETS - Beginning of Year	<u>136,192</u>
NET ASSETS - End of Year	<u><u>\$ 244,481</u></u>

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$108,289 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Riverside Township comes from property taxes. The Township levied a millage for road improvements and fire protection, in addition to the operating millages, this fiscal year. The township levied 1.4820 mills for operating purposes, 0.9880 mills for road improvements, and 0.9636 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general governmental expenses that total \$48,327. Public Safety represented the next largest expense at \$12,035 followed by Other Functions at \$6,359.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Riverside Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Riverside Township's governmental funds reported combined ending fund balances of \$179,920. Of this total amount \$125,639 constitutes unreserved fund balance. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

General Fund – The General Fund increased its fund balance by \$67,772 which brings the fund balance to \$125,639. The General Fund's fund balance is unreserved. Taxes amounted to \$45,052. State grants were collected in the amount of \$83,650.

Road Fund – The Road Fund increased its fund balance by \$24,787 which brings the fund balance to \$25,866. This balance is reserved and must be used for road maintenance. Property taxes collected amounted to \$24,763.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Fire Fund – The Fire Fund increased its fund balance by \$12,456 which brings the fund balance to \$28,415. Property taxes collected amounted to \$24,151.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$64,561 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Riverside Township
Capital Assets as of March 31, 2006

	<u>Governmental Activities</u>
Equipment	\$ 5,000
Public Domain Infrastructure	<u>61,287</u>
	66,287
Less Accumulated Depreciation	<u>1,726</u>
Net Capital Assets	<u><u>\$ 64,561</u></u>

There was one major capital asset event during the current fiscal year. The Township purchased an optical scan voting machine through a state grant in the amount of \$5,000.

Long-Term Debt. Riverside Township has no obligation for any long-term debt as of March 31, 2006.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Riverside Township at 9351 S. Call Road, McBain, Michigan 49657.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 157,473
Receivables:	
Taxes	4,335
Due from Other Governments	18,012
External Parties (Fiduciary Fund)	<u>100</u>
Total Current Assets	<u>179,920</u>
<u>CAPITAL ASSETS</u>	
Equipment	5,000
Public Domain Infrastructure	<u>61,287</u>
	66,287
Less Accumulated Depreciation	<u>1,726</u>
Net Capital Assets	<u>64,561</u>
TOTAL ASSETS	<u>244,481</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	<u>0</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	64,561
Restricted for Roads	25,866
Restricted for Fire Protection	28,415
Unrestricted	<u>125,639</u>
TOTAL NET ASSETS	<u><u>\$ 244,481</u></u>

The accompanying notes are an integral part of the financial statements.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

					NET (EXPENSES)
					REVENUES
					AND CHANGE
					IN NET ASSETS
		PROGRAM REVENUES			
			OPERATING	CAPITAL	TOTAL
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR	GRANTS AND	GRANTS AND	GOVERNMENTAL
		SERVICES	CONTRIBUTIONS	CONTRIBUTIONS	ACTIVITIES
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 1,827	\$ 0	\$ 0	\$ 0	\$ (1,827)
General Government, Administrative	48,327	2,993	0	5,000	(40,334)
Public Safety	12,035	0	0	0	(12,035)
Public Works	5,907	0	3,306	0	(2,601)
Other Functions	6,359	0	0	0	(6,359)
Total Governmental Activities	\$ 74,455	\$ 2,993	\$ 3,306	\$ 5,000	(63,156)
<u>GENERAL REVENUES</u>					
Taxes					93,966
State Grants					75,344
Interest Earnings					858
Other					1,277
Total General Revenues					171,445
Change in Net Assets					108,289
<u>NET ASSETS</u> - Beginning of Year					136,192
<u>NET ASSETS</u> - End of Year					\$ 244,481

The accompanying notes are an integral part of the financial statements.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 105,656	\$ 24,619	\$ 27,198	\$ 157,473
Taxes Receivable	1,871	1,247	1,217	4,335
Due From Other Governments	18,012	0	0	18,012
Due From Other Funds	100	0	0	100
Total Assets	<u>\$ 125,639</u>	<u>\$ 25,866</u>	<u>\$ 28,415</u>	<u>\$ 179,920</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 <u>FUND BALANCE</u>				
Reserved for:				
Roads	0	25,866	0	25,866
Fire Protection	0	0	28,415	28,415
Unreserved				
Undesignated	125,639	0	0	125,639
Total Fund Balance	<u>125,639</u>	<u>25,866</u>	<u>28,415</u>	<u>179,920</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 125,639</u>	<u>\$ 25,866</u>	<u>\$ 28,415</u>	<u>\$ 179,920</u>

The accompanying notes are an integral part of the financial statements.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds		\$	179,920
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Equipment		\$	5,000
Public Domain Infrastructure			61,287
Accumulated Depreciation			(1,726)
			<hr/> 64,561
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$	<hr/> <hr/> 244,481

The accompanying notes are an integral part of the financial statements.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 45,052	\$ 24,763	\$ 24,151	\$ 93,966
Licenses and Permits	853	0	0	853
State Grants	83,650	0	0	83,650
Charges for Services	2,140	0	0	2,140
Interest and Rents	529	24	305	858
Other Revenues	1,277	0	0	1,277
Total Revenues	133,501	24,787	24,456	182,744
<u>EXPENDITURES</u>				
Legislative	1,827	0	0	1,827
General Government	52,827	0	0	52,827
Public Safety	35	0	12,000	12,035
Public Works	4,681	0	0	4,681
Other Functions	6,359	0	0	6,359
Total Expenditures	65,729	0	12,000	77,729
Net Change in Fund Balance	67,772	24,787	12,456	105,015
<u>FUND BALANCE</u> - Beginning of Year	57,867	1,079	15,959	74,905
<u>FUND BALANCE</u> - End of Year	\$ 125,639	\$ 25,866	\$ 28,415	\$ 179,920

The accompanying notes are an integral part of the financial statements.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 105,015
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	5,000
Depreciation Expense	<u>(1,726)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 108,289</u></u>

The accompanying notes are an integral part of the financial statements.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 100
	<u> </u>
<u>LIABILITIES</u>	
Due to General Fund	\$ 100
	<u> </u>

The accompanying notes are an integral part of the financial statements.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Riverside Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Riverside Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

Additionally, Riverside Township reports the following fund types:

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The Township's investment policy states that the treasurer may invest township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all the criteria as a depository of public funds contained in state law.

In addition, the prior approval of the township board shall be required for the treasurer to invest in any other lawful investment instruments. The township board may authorize the treasurer to invest in the following:

- a. Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- b. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- c. Repurchase agreements consisting of instruments listed in subdivision (a).
- d. Bankers' acceptance of United States banks.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

- e. Obligations of this state or any of its political subdivision that at the time of purchase are rated as investment grade by not less than one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - (i) The purchase of securities on a when-issue or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- g. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- h. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- i. The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Riverside Township totaled \$25,079,449, on which ad valorem taxes levied consisted of 1.4820 mills for Riverside Township operating purposes, .9880 mills for road

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

maintenance and .9636 mills for fire protection. The levies raised \$37,146 for operating purposes, \$24,763 for road improvements and \$24,151 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and Land improvements	20
Equipment and Furniture	5-10
Public Domain Infrastructure	20

Riverside Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township began to capitalize and depreciate infrastructure April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 24, 2005.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Chemical Bank West in McBain, Michigan.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$2,430 of the government's bank balance of \$165,346 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are as presented in the statement of net assets.

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Government activities:</u>				
Capital assets, being depreciated				
Equipment	\$ 0	\$ 5,000	\$ 0	\$ 5,000
Public Domain Infrastructure	61,287	0	0	61,287
Total capital assets, being depreciated	61,287	5,000	0	66,287
Less accumulated depreciation for:				0
Equipment	0	500	0	500
Public Domain Infrastructure	0	1,226	0	1,226
Total accumulated depreciation	0	1,726	0	1,726
Governmental activities capital assets, net	\$ 61,287	\$ 3,274	\$ 0	\$ 64,561

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 500
Public Works	1,226
Total Depreciation Expense	<u>\$ 1,726</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
Primary Government Only Due From/To Other Funds:		
General Fund		
Current Tax Collection Fund	\$ 100	\$ 0
Current Tax Collection Fund		
General Fund	<u>0</u>	<u>100</u>
Total Primary Government	<u>\$ 100</u>	<u>\$ 100</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

FUND BALANCE/NET ASSETS

Reserved	
Special Revenue Funds	
Road Fund	
Roads	\$ 25,866
Fire Fund	
Fire Protection	<u>28,415</u>
Total Fund Balance Reserves	<u>\$ 54,281</u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers all members of the township board, the deputy supervisor, the deputy clerk and the deputy treasurer. The annual contribution is 15% of compensation of which 7.5% is paid by the Township and 7.5% by the participant. Participants may make voluntary after-tax contributions, ranging from 1% to 10% of compensation. The Township's 2005-2006 contribution amounted to \$2,970 and participants contributed \$2,716. In addition, the Township paid plan administration fees of \$607.

There are no age or service requirements to participate in the plan. Participants are immediately vested in all contributions made by the Township. Normal retirement age under the plan is 65. Early retirement is permitted at any time after attainment of age 55.

For purposes under the plan, including the allocation of employer contributions, compensation means the basic annual rate of compensation in effect at the beginning of each plan year, not including overtime and bonuses. For the 2005-2006 year, covered compensation was \$36,215 and total of all wages including noncovered wages was \$37,960.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Fire Protection Contract

The Township contracts with the McBain Community Fire Department for fire protection services. The City of McBain maintains the records for the fire department. The Township's contracted amount for 2005-2006 was \$8,500. Also, in 2005, the Township paid an additional \$2,500 for its share of fire department building rent.

The City of McBain, as the headquarters unit, maintains the financial records of the Fire Department. The following financial information was taken from the City of McBain's comprehensive annual financial report dated April 30, 2005.

McBain Community Fire Department

Total Assets	\$ (347)
Total Liabilities	6,717
Fund Balance - Unreserved	(7,064)
Total Revenues	231,081
Total Expenditures	515,321
Other Financing Sources	283,815
Change in Fund Balance	(425)

A copy of the City of McBain's audited financial statements may be obtained upon request from the City's treasurer.

D. Property Tax Administration Fee

The Township passed a resolution on June 7, 1983, to charge a 1% administration fee on all ad valorem taxes levied after this date. The resolution is to continue in force and effect until revoked by the township board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND			ROAD FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$35,217	\$35,217	\$ 45,052	\$24,478	\$24,478	\$24,763	\$23,442	\$23,442	\$24,151
Licenses and Permits	0	0	853	0	0	0	0	0	0
State Grants	70,000	70,000	83,650	0	0	0	0	0	0
Charges for Services	0	0	2,140	0	0	0	0	0	0
Interest and Rents	0	0	529	25	25	24	25	25	305
Other Revenues	7,000	7,000	1,277	0	0	0	0	0	0
Total Revenues	112,217	112,217	133,501	24,503	24,503	24,787	23,467	23,467	24,456
<u>EXPENDITURES</u>									
Legislative									
Township Board	1,000	2,000	1,827	0	0	0	0	0	0
General Government									
Supervisor	7,000	7,000	5,219	0	0	0	0	0	0
Assessor	19,000	19,000	18,400	0	0	0	0	0	0
Clerk	8,500	8,500	7,202	0	0	0	0	0	0
Board of Review	2,000	2,000	1,165	0	0	0	0	0	0
Treasurer	12,500	12,500	14,475	0	0	0	0	0	0
Elections	1,000	1,000	5,252	0	0	0	0	0	0
Building and Grounds	2,000	2,000	299	0	0	0	0	0	0
Cemetery	2,000	2,000	815	0	0	0	0	0	0
Public Safety									
Fire Protection	13,000	13,000	35	0	0	0	37,983	37,983	12,000
Public Works									
Highways, Roads and Bridges	92,611	92,611	4,681	44,704	44,704	0	0	0	0
Other Functions									
Insurance and Bonds	4,500	4,500	2,553	0	0	0	0	0	0
Employee Benefits	6,300	6,300	3,806	0	0	0	0	0	0
Contingency	2,000	1,000	0	0	0	0	0	0	0
Total Expenditures	173,411	173,411	65,729	44,704	44,704	0	37,983	37,983	12,000
Excess (Deficiency) of Revenues Over Expenditures	(61,194)	(61,194)	67,772	(20,201)	(20,201)	24,787	(14,516)	(14,516)	12,456
<u>FUND BALANCE</u> - Beginning of Year	61,194	61,194	57,867	20,201	20,201	1,079	14,516	14,516	15,959
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$125,639	\$ 0	\$ 0	\$25,866	\$ 0	\$ 0	\$28,415

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2006

	BALANCE 4/1/2005	ADDITIONS	DEDUCTIONS	BALANCE 3/31/2006
<hr/>				
<u>ASSETS</u>				
Cash	\$ 100	\$ 769,012	\$ 769,012	\$ 100
<hr/>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 100	\$ 91,432	\$ 91,432	\$ 100
Due to Other Organizations and Individuals	0	3,958	3,958	0
Due to Other Governments	0	673,622	673,622	0
<hr/>				
Total Liabilities	\$ 100	\$ 769,012	\$ 769,012	\$ 100
<hr/>				

RIVERSIDE TOWNSHIP, MISSAUKEE COUNTY
MCBAIN, MICHIGAN

STATEMENT OF 2005 TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$ 185,892	
County - State Education Tax	150,402	
Township		
Operating	37,146	
Roads	24,763	
Fire	24,151	
School		
McBain Rural Agricultural School	219,632	
Intermediate School		
Wexford-Missaukee	<u>149,433</u>	791,419

TAXES COLLECTED

County	177,524	
County - State Education Tax	146,438	
Township		
Operating	35,275	
Roads	23,516	
Fire	22,934	
School		
McBain Rural Agricultural School	209,671	
Intermediate School		
Wexford-Missaukee	<u>141,905</u>	<u>757,263</u>

TAXES RETURNED DELINQUENT

County	8,368	
County - State Education Tax	3,964	
Township		
Operating	1,871	
Roads	1,247	
Fire	1,217	
School		
McBain Rural Agricultural School	9,961	
Intermediate School		
Wexford-Missaukee	<u>7,528</u>	<u>\$ 34,156</u>

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231-775-9789
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M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

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MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

June 22, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Riverside Township
Missaukee County
McBain, Michigan

During the course of our audit of the basic financial statements of Riverside Township for the year ended March 31, 2006, we noted the following:

GASB 34

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for Township financial statements. For Riverside Township, these changes were first reported in the March 31, 2006 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

- a) Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b) Several new types of financial statements are now included that report financial information on a Township-wide basis and incorporate capital assets and a provision for depreciation on those assets.

Budgeting

The budget was exceeded for treasurer and election activities in the General Fund. One of the items resulted from not amending the budget to include revenue and expenditure for a state grant that the Township received to purchase election machines. Act 621 of the Public Acts of 1978 requires amending the budget prior to authorizing expenditures that would cause such overages.

We would like to thank the board for its continued confidence in our firm and thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 22, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Riverside Township
Missaukee County
McBain, Michigan

In planning and performing our audit of the basic financial statements of Riverside Township, Missaukee County, McBain, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P. C.

Baird, Cotter & Bishop, P.C.